

# Arizona Public School Credit Enhancement Eligibility Board

**DECEMBER 2, 2017**

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**1 OFFICE OF THE GOVERNOR**



# Acknowledgment of November 2, 2017 Minutes



# 2018 Meeting Calendar

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## 3 OFFICE OF THE GOVERNOR





# 2018 Meeting Calendar

|                     |         |  |
|---------------------|---------|--|
| *January 18, 2018   | 1:30 PM | 1700 W. Washington<br>Historic Senate Room<br>Phoenix, Arizona 85007 |
| *February 15, 2018  | 1:30 PM | 1700 W. Washington<br>Historic Senate Room<br>Phoenix, Arizona 85007 |
| *March 22, 2018     | 1:30 PM | 1700 W. Washington<br>Historic Senate Room<br>Phoenix, Arizona 85007 |
| *April 19, 2018     | 1:30 PM | 1700 W. Washington<br>Historic Senate Room<br>Phoenix, Arizona 85007 |
| *May 24, 2018       | 1:30 PM | 1700 W. Washington<br>Historic Senate Room<br>Phoenix, Arizona 85007 |
| *June 21, 2018      | 1:30 PM | 1700 W. Washington<br>Historic Senate Room<br>Phoenix, Arizona 85007 |
| *July 19, 2018      | 1:30 PM | 1700 W. Washington<br>Historic Senate Room<br>Phoenix, Arizona 85007 |
| *August 16, 2018    | 1:30 PM | 1700 W. Washington<br>Historic Senate Room<br>Phoenix, Arizona 85007 |
| *September 20, 2018 | 1:30 PM | 1700 W. Washington<br>Historic Senate Room<br>Phoenix, Arizona 85007 |
| *October 18, 2018   | 1:30 PM | 1700 W. Washington<br>Historic Senate Room<br>Phoenix, Arizona 85007 |
| *November 15, 2018  | 1:30 PM | 1700 W. Washington<br>Historic Senate Room<br>Phoenix, Arizona 85007 |
| *December 20, 2018  | 1:30 PM | 1700 W. Washington<br>Historic Senate Room<br>Phoenix, Arizona 85007 |



# Basis Schools Inc. Closing Update



# BASIS Schools, Inc.

- On August 3, 2017, the Board approved for BASIS Schools, Inc. an enhancement amount not to exceed **\$53,344,683** in credit enhancement projects.
- On October 17, 2017, **\$3,830,000** in Series 2017c revenue bonds were issued. This issuance represents partial financing of the Flagstaff Campus.
- On November 2, 2017, the Board revised its original enhancement amount not to exceed **\$38,185,000**.

# BASIS Schools, Inc.

- The following table reflects the original proposal and the changes made to the projects:

| Description             | Amount<br>Approved<br>8/6/2017 | Change to<br>Request | Amount<br>Requested<br>10/20/2017 |
|-------------------------|--------------------------------|----------------------|-----------------------------------|
| Phoenix Primary South   | 770,505                        | 484,495              | 1,255,000                         |
| Goodyear                | 4,433,099                      | 331,901              | 4,765,000                         |
| Phoenix                 | 8,563,227                      | 3,391,773            | 11,955,000                        |
| Scottsdale North        | 16,571,499                     | (16,571,499)         | 0                                 |
| Scottsdale Primary West | 9,581,705                      | (9,581,705)          | 0                                 |
| Flagstaff               | 7,432,813                      | 4,497,187            | 11,930,000                        |
| Mesa                    | 3,918,300                      | 991,700              | 4,910,000                         |
| Phoenix Primary         | 2,073,535                      | 1,296,465            | 3,370,000                         |
|                         |                                |                      |                                   |
| Total                   | 53,344,683                     | (15,159,683)         | 38,185,000                        |

- No further bonds have been issued since October 17, 2017.
- However, BASIS Schools, Inc. reports that they intend to sell in the next two weeks.





The logo for American Leadership Academy is set against a background of a stylized American flag with white stars on a blue field and red and white stripes. The text "AMERICAN LEADERSHIP" is in a dark blue, serif font, underlined with a thick dark red line. Below it, the word "ACADEMY" is in the same dark blue, serif font.

# AMERICAN LEADERSHIP ACADEMY

## American Leadership Academy Closing Update



# American Leadership Academy

- On October 18, 2017, the Board approved for the American Leadership Academy an enhancement amount not to exceed **\$14,000,000** for the acquisition of K-6 and 7-12 Queen Creek campuses.
- On October 28, 2017, the American Leadership Academy notified the Board that due to complications arising with the timeline of their non-enhanced bonds, they will not be moving forward with this award.

# AMERICAN LEADERSHIP ACADEMY

19935 EAST CHANDLER HEIGHTS ROAD  
QUEEN CREEK, ARIZONA 85142

PHONE: (480) 420-2101  
FAX: (480) 398-2073

December 5, 2017

Dawn Wallace  
Senior Advisor for Education & Strategic Initiatives  
Director, Governor's Office of Education  
Office of the Arizona Governor  
1700 W Washington St  
Phoenix, AZ 85007

Subject: American Leadership Academy Credit Enhancement Award

Dear Dawn,

Please accept this letter as notice of withdrawal of American Leadership Academy's credit enhancement award.

We appreciate the credit enhancement board's consideration and award, but will not be able to use the awarded credit enhancement at this time.

We look forward to bringing a proposal to the board in the future.

Best Regards,



Robert Plowman  
Chief Financial Officer  
American Leadership Academy





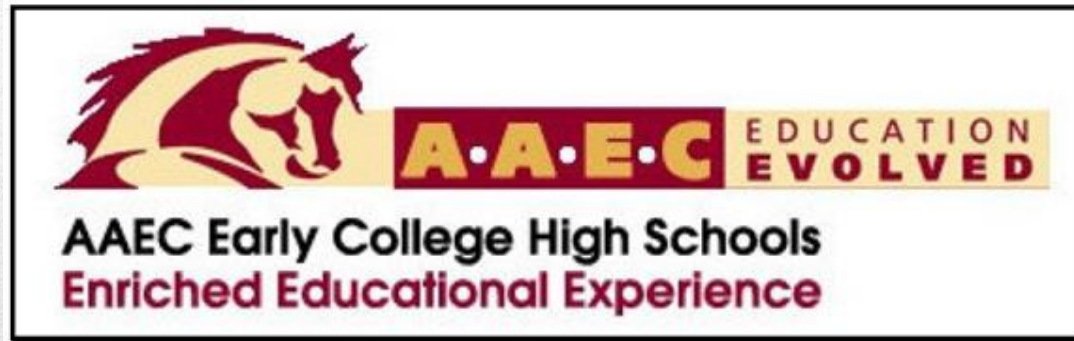


# GreatHearts Academy Closing Update

# GreatHearts Academy

- On October 18, 2017, the Board approved for GreatHearts an enhancement amount not to exceed **\$19,500,000** to acquire, renovate, and expand new school facilities at the Archway Scottsdale and Scottsdale Prep Academy.
- On November 8, 2017, these enhanced bonds of **\$19,500,000** sold. Per GreatHearts, **\$223.5 million** of orders were received during the one hour period. This tremendous response yielded true interest cost at **3.785%** over the 31 year period.





# Arizona Agribusiness & Equine Center Closing Update



# Arizona Agribusiness & Equine Center, Inc.

- On October 18th, 2017 the Board approved for the Arizona Agribusiness & Equine Center, Inc. an enhancement amount not to exceed **\$17,000,000** to establish a new campus in Mesa and to expand the Estrella Mountain campus in Avondale.
  - AAEC Mesa campus awarded: **\$7,500,000**
  - Estrella Mountain campus awarded: **\$9,400,000**
- The bonds for the Mesa Campus have been priced for a **\$5,120,000** issuance. The closing will occur next week. They have determined that they will not need the original amount of **\$7,500,000**, and **\$2,380,000** will be returned.
- AAEC hopes to issue Estrella Mountain bonds this year or in January. These bonds have not yet been priced.





# Dashboard



| Application Number | Applicant                      | Date Approved | Approved Amount | Adjustment to Approved Amount | Revised Approved Amount | Guaranteed Amount Issued | Date Issued | Description                     |
|--------------------|--------------------------------|---------------|-----------------|-------------------------------|-------------------------|--------------------------|-------------|---------------------------------|
| 1                  | Agribusiness and Equine Center | 4/25/2017     | 16,968,531      | (16,968,531)                  | -                       | 0                        | N/A         | CANCELLED                       |
| 2                  | Academy of Math and Sciences   | 4/25/2017     | 24,808,821      | -                             | 24,808,821              | 23,465,000               | 7/6/2017    | Series 2017A                    |
| 3                  | GreatHearts                    | 6/1/2017      | 35,970,811      | -                             | 35,970,811              | 34,240,000               | 7/13/2017   | Series 2017A & Series 2017B     |
| 4                  | Basis                          | 8/3/2017      | 53,344,683      | (49,514,683)                  | 3,830,000               | 3,830,000                | 10/17/2017  | Series 2017C (PARTIALLY ISSUED) |
| 5                  | American Leadership Academy    | 10/18/2017    | 14,000,000      | (14,000,000)                  | -                       | -                        |             | CANCELLED                       |
| 6                  | GreatHearts                    | 10/18/2017    | 19,500,000      | -                             | 19,500,000              | 19,500,000               | 11/22/2017  | Series 2017C                    |
| 7                  | Agribusiness and Equine Center | 10/18/2017    | 17,000,000      | (2,380,000)                   | 14,620,000              | 14,620,000               |             | PENDING                         |
| 8                  | Basis                          | 11/2/2017     | 34,355,000      | -                             | 34,355,000              | 34,355,000               |             | PENDING                         |
|                    |                                |               | 215,947,846     | (82,863,214)                  | 133,084,632             | 130,010,000              |             |                                 |

| Fund Certificate Number | Total Enhancement Capacity: <sup>1</sup> |             |                    |
|-------------------------|--|-------------|--------------------|
|                         | Agribusiness and Equine Center #1        | -           | 350,000,000        |
| 1                       | Academy of Math and Sciences #2          | 23,465,000  | 326,535,000        |
| 2                       | GreatHearts #3                           | 34,240,000  | 292,295,000        |
| 3                       | Basis #4                                 | 3,830,000   | 288,465,000        |
|                         | American Leadership Academy #5           | -           | 288,465,000        |
| 4                       | GreatHearts #6                           | 19,500,000  | 268,965,000        |
|                         | Agribusiness and Equine Center #7        | 14,620,000  | 254,345,000        |
|                         | Basis #8                                 | 34,355,000  | 219,990,000        |
|                         | Remaining Enhancement Capacity           |             | <u>219,990,000</u> |
| Number of Borrowers: 4  |  | 130,010,000 | 37%                |

<sup>1</sup> - The fund currently has \$100 million, but it can enhance 3.5x the fund balance.

# Arizona Public School Credit Enhancement Dashboard





# **Review and Action of Application #9**

## **Academy of Math and Science**



# Academy of Math and Science

**\$25.3 million** proposed financing

**\$18.0 million** is new debt and **\$7.3 million** will refinance existing debt

## Total Request





# Academy of Math and Science

- **\$18 million** in new debt will be used to establish the Academy of Math and Science Desert Sky (**1,200 students**)
- **\$7.3 million** in refinance savings will be used to build eight new classrooms at AMS Flower (**200 students**)

## Impact of Proposed Financing



# Academy of Math and Science

- AMS meets the Board criteria for conditional approval for credit enhancement
- Underlying credit rating of **BB** by S&P

## Eligibility for Credit Enhancement





# Academy of Math and Science

If approved as submitted, **7%** of the program's total capacity will be used to enhance the currently proposed financing.

**14%** of the program's total capacity will be used to enhance AMS financings.

## Impact on Credit Enhancement Program



# Academy of Math and Science

The following three options are available for the Board to consider regarding AMS's application to the Public School Credit Enhancement Program:

1. Approval of credit enhancement for the full amount of the proposed financing of **\$25.3 million**.
2. Approval of credit enhancement for an amount that is less than the full amount of the proposed financing.
3. Denial of credit enhancement for any portion of the proposed financing.

## Recommendation







# ACADEMY OF MATH & SCIENCE



## CREDIT ENHANCEMENT PRESENTATION



# MISSION & VISION

- Through a well-rounded education, we transform today's scholars into tomorrow's global visionaries.
- Curriculum includes STEM, Russian, Mandarin, Spanish, art, piano, guitar, choir, and significantly increased instructional time, free or reduced cost afterschool care
- Vision at scale: to be the highest performing K-8 network of charter schools with > 1000 students serving at-risk areas in Arizona at scale serving nearly 8000 students in Arizona across grades K-12
- Only at-risk areas
  - Arizona high school grad rate – 86%, college – 27.5%
  - Current campus average neighborhood high school grade rate – 62%, college – 9%
  - New school site AMS Desert Sky – 6000 students enrolled in D or worse rated schools, 10% below the passing rate average, 57% high school grad rate, 8% college grad rate

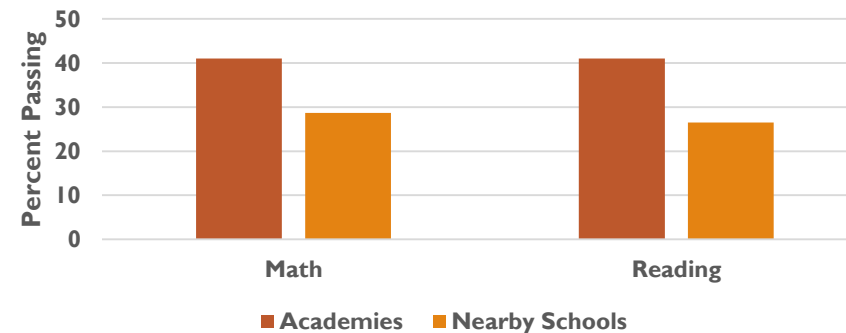


# AMS ACADEMIC PERFORMANCE

- Consistent outperformance of 20-30% across all tested categories over the last 16 years as measured against neighborhood schools
- Academic Highlights
  - AMS Prince - 2<sup>nd</sup> in all of Arizona K-8 charter schools for AzMERIT composite scores, >70% FRL & 2016 AZ Charter School of Year
  - Flower - 2<sup>nd</sup> highest by A-F letter grades Alhambra Elementary District and #2 out of nearly 150 K-8 schools in a 3 mile radius on Greatschools.org
  - MASSA - Education Equality Index – recognized as one of the top schools in Tucson closing the achievement gap (11<sup>th</sup> of 185)
  - AMS Camelback – outperformed  $\frac{3}{4}$  of all schools

In composite scores and #2 out of nearly 150 K-8 schools in a 3 mile radius on Greatschools.org

**Academies of Math and Science - 16-17  
AzMERIT Results**



# PRIOR ENHANCEMENT APPLICATION

- Awarded \$26 MM for a combination of refinancing existing debt and new construction across two campuses.
- Serving 600/900 new seats proposed (proposed to serve over 3 years)
- Construction for the next phase to serve remaining 300 seats will be complete by February 2018
- 1400 student waitlist at the time of application. Final waitlist 2700.



# CREDIT ENHANCEMENT REQUEST

- \$25.66 MM for refunding and new construction across 2 campuses to add 1200 new seats over the next 2 years
  - 17.8 MM new campus construction Desert Sky
  - 7.8 MM refunding 2015 privately placed bonds
- \$220,000 a year in savings – a CSP grant in perpetuity

# PROJECTS APPROVED AND COST PER SEAT ADDED

| Date       | Network          | New Money Requested | Refunding Amount Requested | Proposed Seats Added | Amount Granted   | Amount Granted Per Seat Added |
|------------|------------------|---------------------|----------------------------|----------------------|------------------|-------------------------------|
| 6/1/2017   | Great Hearts     | \$16,100,000.00     | \$19,900,000.00            | 1086                 | \$ 36,000,000.00 | \$33,149.17                   |
| 4/25/2017  | AAEC             | \$17,000,000.00     | \$19,100,000.00            | 560                  | \$ 17,000,000.00 | \$30,357.14                   |
| 8/3/2017   | Basis            | \$61,200,000.00     | \$10,200,000.00            | 3003                 | \$ 55,000,000.00 | \$18,315.02                   |
| 10/18/2017 | ALA              | \$55,000,000.00     |                            | 840                  | \$ 14,000,000.00 | \$16,666.67                   |
| 10/18/2017 | Great Hearts     | \$19,500,000.00     |                            | 458                  | \$ 19,500,000.00 | \$42,576.42                   |
| 11/2/2017  | Basis            | \$38,185,000.00     |                            | 1680                 | \$ 38,185,000.00 | \$22,729.17                   |
| 12/10/2017 | AMS              | \$25,600,000.00     | \$7,800,000.00             | 1200                 | \$ 25,600,000.00 | \$21,333.33                   |
|            | AMS - Desert Sky | \$17,800,000.00     |                            |                      | \$17,800,000     | \$14,833.33                   |





## NEW CAMPUS – DESERT SKY

- 5757 W McDowell Rd, 59<sup>th</sup> Ave and McDowell Rd
- 48 classrooms with 1300 student capacity





# NEW CAMPUS – DESERT SKY





# NEW CAMPUS – DESERT SKY



# NEW CAMPUS – DESERT SKY





# Public Comments



# Adjourn

